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Philippines

Grain and Feed

Advance Payment of Value Added Tax on Wheat Imports

2003

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Report Highlights:

On December 1, 2003, the Philippine Bureau of Internal Revenue issued Revenue Regulation 29-2003 requiring the advance payment of Value Added Tax (VAT) on sales of flour milled from imported wheat. Under the new regulation, flour millers will now pay VAT on flour, prior to the release of wheat imports from the Bureau of Customs. Intended to reduce technical smuggling, the regulation is slated to take effect December 17, 2003.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Manila [RP1]
[RP]

On December 1, 2003, the Philippine Bureau of Internal Revenue (BIR) issued Revenue Regulation No. 29-2003, which requires the advance payment of Value Added Tax (VAT) on sales of flour milled from imported wheat. The new regulation requires that advance VAT must be paid on all imported wheat declared for use in flour milling prior to the release of the wheat from the Bureau of Customs.

According to the BIR, the reason for the new revenue measure is to encourage the proper declaration and payment of taxes as well as improve efficiency in tax administration. Under the Philippine tariff code, wheat is currently subject to a 3 percent duty when used for flour production. The tariff becomes 7 percent if it will be used for other purposes, such as for animal feed. Some wheat importers are alleged to have been declaring their shipments as flour ingredients to avail of the lower tariff. Finance officials believe that accelerating the collection of VAT would allow the government to weed out such technical smuggling of wheat.

With the current budget deficit problem plaguing the Philippine government, the Department of Finance likewise expects this current directive to increase revenue by one billion pesos annually (approximately \$18.2 million). The flour-milling industry welcomes the advance VAT ruling, which it believes will level the playing field and help government raise much-needed revenues.

Revenue Regulation 29-2003 will take effect on 17 December 2003, fifteen days after its publication in the Manila Times newspaper.

The full text of Revenue Regulation 29-2003 is available on:

ftp://ftp.bir.gov.ph/webadmin/pdfs/rr/rr03_29.pdf